

# Fairfax County Economic Index

Volume I, Number 11

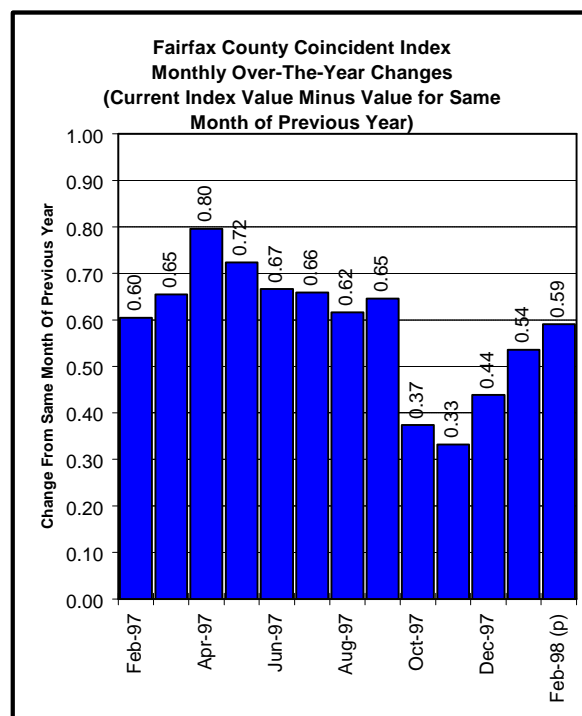
APRIL 1998

## Expansion Continues in February Outlook Remains Good in 1998

The **Fairfax County Coincident Index**, which represents the current state of the County's economy, increased to 103.50 in February, gaining 0.05 percent, and extended its positive trend to a fourth consecutive month and to a new record level. The Coincident Index has now been up in ten of the last twelve months and has increased 0.57 percent over that period. In February, three of the Index's four components were positive.

- Total employment gained for the second month in a row and for the tenth time in the past twelve months;
- Transient Occupancy tax collections increased for the fourth consecutive month; and
- Consumer confidence increased sharply in February almost regaining its previous record high reached last December; while
- Seasonally adjusted retail sales dropped for the third time in four months.

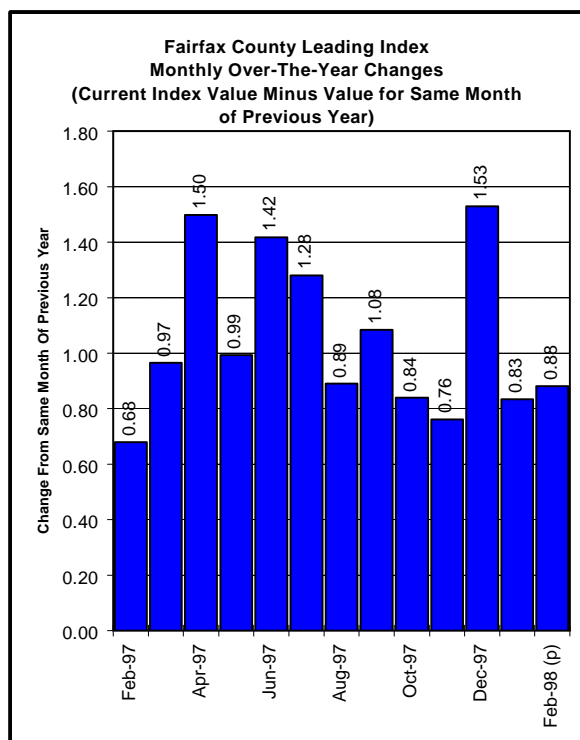
The **Fairfax County Leading Index**, which is designed to forecast the performance of the County's economy 9 to 12 months in advance, declined in February to 104.67, losing 0.17 points. The Leading Index has been down two times in the past four months and, although it remains



Source: GMU Center for Regional Analysis.

0.85 percent above its February 1997 level and near its all time peak level, it has become more volatile over the past six months. In February, three of the Index's five components contributed to its decline.

- New automobile registrations fell for the second month in a row and for the third time in the past four months;



Source: GMU Center for Regional Analysis.

- The mean value of residential building permits declined after having grown substantially during the previous two months; and
- Initial claims for unemployment insurance increased (worsened) after having decreased in January; while
- Consumer expectations (consumer confidence six months hence) increased after having declined in January; and
- Residential building permits increased after declining in the two preceding months.

## CURRENT CONDITIONS

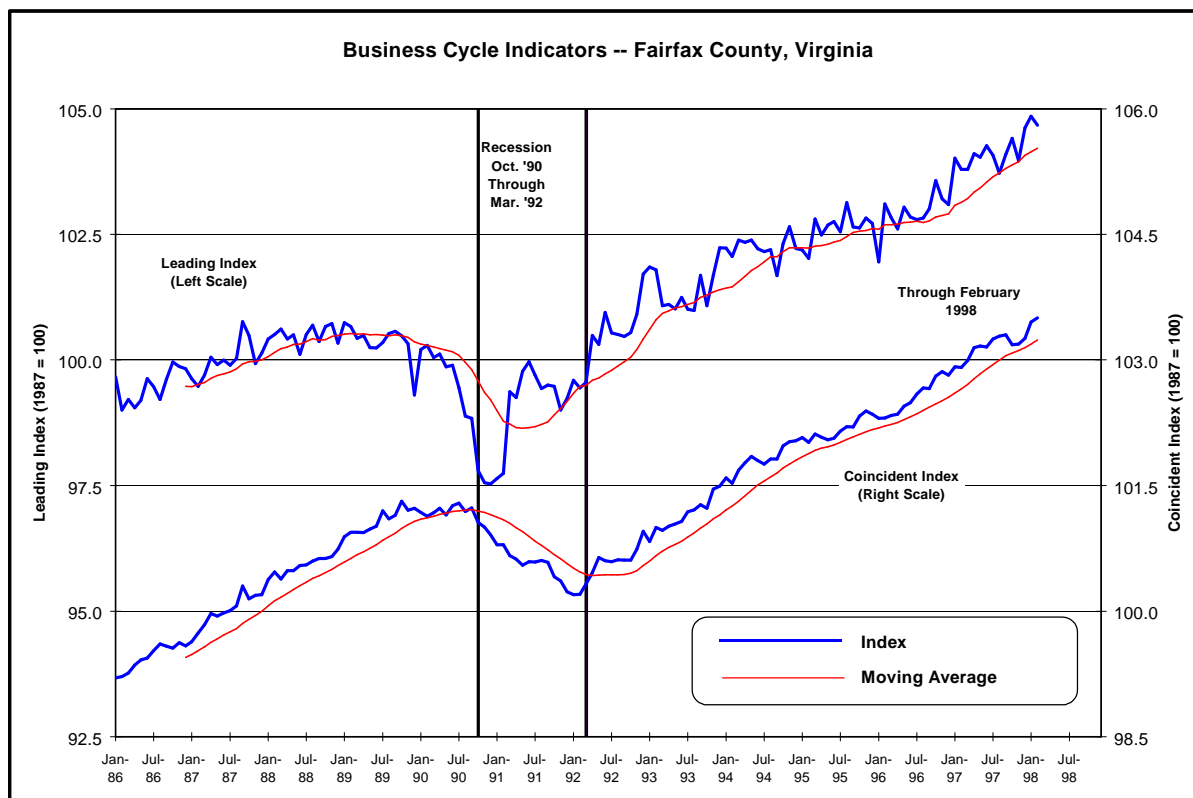
The Coincident Index continues to track well above its 12-month moving average accelerating slightly in each of the past three months. In February, the Index's monthly over-the-year performance had almost regained its level sustained through the first three quarters of 1997. After moderating during the fourth quarter, the Fairfax County economy has begun again to register strong gains in most of its performance indicators.

Job growth provides the best immediate and most visible measure of the County's economic health. The total employment base in Fairfax County in February was estimated at 456,770, an increase of 17,463 jobs from February 1997 for a gain of 3.98 percent. While this gain was slightly less than the average annual increase achieved for 1997 (4.1 percent), it was almost double the 2.0 percent employment gain for the metropolitan area and represented 35 percent of the region's total net job gain.

With the labor force continuing to grow at a rate less than one-half of the job growth rate and unemployment holding at 1.8 percent, the County's employment base continues to successfully attract the necessary labor resources from outside its boundaries to help fill the continuing increases in demand for workers. Besides drawing labor resources from nearby Northern Virginia jurisdictions, the County's economy is increasingly drawing workers from the District of Columbia and from suburban Maryland where the economies have not been as expansive.

Consumer confidence experienced a sharp rebound from January and stands just short of its all time record level achieved last December. However, consumer confidence has become more volatile in the past six months, declining four times but subsequently regaining these losses. At this stage of the business cycle, this seesaw pattern for consumer confidence shows consumers to be generally optimistic but a little nervous that the good times may not be sustainable. This nervousness has translated into weaker retail sales with automobile sales being up and down from month to month and in February being little changed (0.26 percent) from February 1997. Unadjusted retail sales tax receipts were also just nominally greater than last year's level.

The housing market, however, has been reported to be running well ahead of last year with new residential building permits in February 75 percent ahead of their level in February 1997. This increase may be partially explained by favorable interest rates for home mortgages as well as the mild winter weather this year moving home buying decisions earlier in the year. Still, consumer spending, which accounted for as much as two-



Source: GMU Center for Regional Analysis.

thirds of gross regional product, seems to have remained strong during the year's first quarter although its monthly variations in recent months appear to be paralleling the ups and downs in consumer confidence.

Still, the core strength of the Fairfax County economy is clearly evident in its long-term positive trend. That the economy's performance so far this year has rebounded from its slowdown during last year's fourth quarter and is again tracking a strong growth path, underscores the economy's sound fundamentals and the strength it draws from its dominant position in the larger Northern Virginia and regional economies.

### **NEAR-TERM OUTLOOK**

The growing volatility in the County's economy has been evident in its leading components for the past ten months. The monthly over-the-year performance of the Leading Index has exhibited sharp gains in five of the last ten months while gains in intervening months have been more moderate.

February's gain from its same-month value last year reflected one of these more moderate increases. This alternating pattern of monthly performance is not indicative of any immediate economic change. However, it does reflect a growing unevenness in the performance of the Index's constituent indicators with the gains in several indicators each month being offset by the decreases in other indicators.

The key to the County's near-term outlook will be forces outside of the local economy. Especially susceptible to quick changes in performance is consumer spending. A major negative event impacting the financial markets could quickly unnerve consumers and, with confidence dropping, retail and new home sales could fall off quickly taking the economy lower within the span of a month or two. However, if consumers remain optimistic and the economy continues to generate new jobs and income as it has over the past several months, the outlook for 1998 will be for economic growth to closely parallel the gains achieved in 1997.

## Fairfax County, Virginia Economic Indicators Current and Previous Months

Economic Indicator	Estimates			Percent Change	
	Feb-98 Prelim.	Jan-98 Final	Feb-97 Final	Jan-98 to Feb-98	Feb-97 to Feb-98
<b>Fairfax County Business Cycle Indicators</b>					
Coincident Index (1987 = 100)	103.50	103.46	102.91	0.05	0.57
Leading Index (1987 = 100)	104.67	104.85	103.79	-0.17	0.85
<b>Fairfax County Coincident Index Components</b>					
Total Covered Employment (Seasonally Adjusted)	462,566	461,238	444,881	0.29	3.98
<i>Total Covered Employment (Unadjusted)</i>	<i>456,770</i>	<i>456,104</i>	<i>439,307</i>	<i>0.15</i>	<i>3.98</i>
Transient Occupancy Tax (\$'000='87, Smoothed, Seasonally Adjusted)	299.8	281.6	258.3	6.48	16.07
<i>Transient Occupancy Tax (\$'000=Current, Smoothed Only)</i>	<i>455.6</i>	<i>415.4</i>	<i>381.8</i>	<i>9.67</i>	<i>19.32</i>
Sales Tax Receipts (\$'000='87, Seasonally Adjusted)	6,038.5	7,666.9	5,736.9	-21.24	5.26
<i>Sales Tax Receipts (\$'000=Current, Unadjusted)</i>	<i>7,448.3</i>	<i>7,560.4</i>	<i>7,432.5</i>	<i>-1.48</i>	<i>0.21</i>
South Atlantic Consumer Confidence	172.6	157.4	151.4	9.66	14.00
<b>Fairfax County Leading Index Components</b>					
New Automobile Registrations (Seasonally Adjusted)	4,848	5,171	4,836	-6.24	0.26
<i>Automobile Registrations (Unadjusted)</i>	<i>3,890</i>	<i>4,349</i>	<i>3,880</i>	<i>-10.55</i>	<i>0.26</i>
Initial Unemployment Claims (Seasonally Adjusted)	757	731	814	3.56	-7.03
<i>Initial Unemployment Claims (Unadjusted)</i>	<i>820</i>	<i>1,030</i>	<i>882</i>	<i>-20.39</i>	<i>-7.03</i>
South Atlantic Consumer Expectations	116.9	111.2	113.0	5.13	3.45
Residential Building Permits (Number of Units, Seasonally Adjusted)	635	609	363	4.26	75.00
<i>Residential Building Permits (Number of Units, Unadjusted)</i>	<i>546</i>	<i>448</i>	<i>312</i>	<i>21.88</i>	<i>75.00</i>
Average Residential Building Permit Value (\$='87 Per Unit, Seasonally Adjusted)	65,948	80,165	79,621	-17.73	-17.17
<i>Average Residential Building Permit Value (\$=Current Per Unit, Unadjusted)</i>	<i>85,778</i>	<i>102,313</i>	<i>102,016</i>	<i>-16.16</i>	<i>-15.92</i>
<b>Fairfax County Labor Force</b>					
Total Labor Force (Seasonally Adjusted)	534,733	534,240	526,190	0.09	1.62
<i>Total Labor Force (Unadjusted)</i>	<i>529,872</i>	<i>527,899</i>	<i>521,407</i>	<i>0.37</i>	<i>1.62</i>
Unemployment Rate (Percent, Seasonally Adjusted)	1.75	1.85	2.48	--	--
<i>Unemployment Rate (Percent, Unadjusted)</i>	<i>1.73</i>	<i>1.87</i>	<i>2.46</i>	<i>--</i>	<i>--</i>

Notes: All components included in the indices are seasonally adjusted. In addition, those expressed in dollar value (Average Building Permit Value, Transient Occupancy Tax, and Sales Tax) are expressed in constant 1987 dollars. Initial Claims are inverted prior to inclusion in the Leading Index; that is, an increase in claims results in a decrease in the index and visa versa. Because of its quarterly collection schedule, the Transient Occupancy Tax is smoothed. Unadjusted data (*italics*) and Fairfax County Labor Force data are not included in either index, but are shown for informational purposes. All percent changes are calculated from unrounded data.

Prepared by:  
Center for Regional Analysis  
George Mason University

We are on the web at:  
[www.co.fairfax.va.us/comm/economic/  
economic.htm](http://www.co.fairfax.va.us/comm/economic/economic.htm)

Inquiries should be directed to:

The Fairfax County  
Office of Management and Budget  
12000 Government Center Parkway, Suite 561  
Fairfax, Virginia 22035-0074

(703) 324-2391 or 1-800-828-1120 (TDY)